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AMERICAN OBSERVER

A free, virtuous and enlightened people must know well the great principles and causes on which their happiness depends. — James Madison

VOLUME I, NUMBER 41

WASHINGTON, D. C.

JUNE 29, 1932

GERMANY'S CREDITORS SEEK DEBT SOLUTION

**Final Settlement of Reparations at
Lausanne Difficult Because
of America's Absence**

GERMANY'S CONDITION CRITICAL

**Need for Financial Aid Imper-
ative if She Is to Avert
Complete Collapse**

With the opening of the Lausanne conference on June 16, European statesmen came face to face with one of the most serious problems confronting the entire world. Conditions under which the parley began were extremely adverse. The Hoover moratorium was about to expire. It had been hoped that the moratorium would bring about a restoration of financial stability in Germany, but today finds the situation even worse than a year ago. Few preparations had been made in advance. The constant rise of the Hitler movement in Germany, the downfall of the Brüning cabinet and the subsequent dissolution of the Reichstag, the appointment of a cabinet considered reactionary and militaristic, all contributed to the feeling of uncertainty and misgiving which prevailed as the Lausanne meeting convened. So difficult had the task of settling the reparations problem become, that some informed observers believed that the conference would be postponed at the last moment as it had been in January.

NEW FIGURES

The conference did begin on the appointed day, and did not end in a dismal failure after the first few meetings, as some had woefully predicted. In fact, there was considerable surprise that the leading figures displayed, on the surface at least, a conciliatory spirit. Under the leadership of Ramsay MacDonald, the veteran British statesman, the group began its deliberations. Representing the two principal countries concerned with the reparations problem were men who had not previously figured in international negotiations on this subject. France, the creditor, was represented by the newly appointed Left wing premier, Edouard Herriot, and Germany, the debtor, by the new chancellor, Franz von Papen, both of whom had been in office only a short while when the Lausanne conference met.

It is, of course, impossible to predict at this time the ultimate outcome of this attempt on the part of European statesmen to settle the reparations issue. There are many who believe that the spirit which permeated the opening sessions is only temporary and that the differences between Germany and France are bound to flare up and disrupt the conference after a short time. Others are inclined to the view that a definite settlement of the issue will be deferred to a later date; while still a third group is of the opinion that facts will be faced at Lausanne and that a permanent solution will be found.

Whatever may be the outcome of the conference, the leaders conducting the negotiations met with a full realization of the seriousness of the problem confronting them. The possible consequences of a breakdown may have accounted for their desire to reach an agreement satisfactory to all nations concerned, both debtor and

(Concluded on page 7)



THE REPUBLICAN KEYNOTER—SENATOR L. J. DICKINSON OF IOWA

Summary of Main Declarations of Platform Adopted by Republican Convention

GOVERNMENT ECONOMY. Drastic reductions in government expenses—national, state and local. Maintenance of the gold standard and opposition to all movements for inflation of the currency.

BANKING SYSTEM. Revision of present banking laws so as to give supervisors more authority to protect depositors. The creation of a system of home loan discount banks to help the home owners and stimulate home ownership.

INTERNATIONAL CONFERENCE. Participation by this country in a parley called to discuss monetary matters.

AGRICULTURE. Further assistance to the cooperative marketing associations as future needs may arise.

TARIFF. Application of the Republican principle of protection "to our national resource industries, including the products of our farms, forests, mines and oil wells, with compensatory duties on the manufactured and refined products thereof."

WAR VETERANS. Care and compensation for every veteran suffering illness as a result of service and compensation to the dependents of veterans who lost lives in war or from illness due to service. A careful study of the problem to eliminate inequalities.

FOREIGN AFFAIRS. "The facilitation of world intercourse, the freeing of commerce from unnecessary impediments, the settlement of international difficulties by con-

ciliation and the methods of law and the elimination of war as a resort of national policy." Continuation of the policy of equal treatment to all nations, large and small. Cooperation of the United States in conferences dealing with the enforcement of the Kellogg-Briand Peace Pact. A policy of "frank and friendly understanding" with the Latin-American countries. Participation by the United States in the World Court. Further advocacy of disarmament but opposition to a reduction of navy defenses "below that of any other nation."

NATIONAL DEFENSE. Against further reduction of the size of the American army.

LABOR. High wages. A shorter working day and working week in government and private employment.

IMMIGRATION. Strict enforcement of the present immigration laws.

EMPLOYMENT. Commendation of the work of the United States Employment Service of the Department of Labor.

FREEDOM OF SPEECH. Freedom of speech, press and assemblage should be preserved.

PUBLIC UTILITIES. "Legislation to authorize this commission (Federal Power Commission) to regulate the charges for electric current when transmitted across state lines."

TRANSPORTATION. Development of the

(Concluded on page 8)

G. O. P. PROHIBITION PLANK STIRS UP ISSUE

**Wets and Drys Both Dissatisfied as
Republicans Approve Dry
Law Modification**

BORAH MAKES BITTER ATTACK

**Administration Leaders Support
and Explain Party Stand
on Question**

For three days the Republican National Convention was in session at Chicago. In that interval a platform was written and adopted, a president and a vice-president were renominated for office, a new national committee and a new chairman were appointed, various and sundry duties were attended to and the delegates returned to their homes. Everything was done according to schedule, according to prior arrangement. But for one notable exception—the fight over prohibition—the convention was a dull and drab affair. The administration, through its astute lieutenants who dominated the scene, was in complete control at all times. It smothered an attempt to nominate a new man for the vice-presidency. It defeated a movement for the adoption of a plank committing the party to submit an amendment for the repeal of prohibition. To put it briefly, the convention was President Hoover's show—his to run as he saw fit.

UNDER CONTROL

Nor was this in any way unusual. A president who has served only one term has the traditional right to nomination by his party for a second. This is taken as a matter of course. The president rules the convention; he selects his running-mate, dictates the party platform and in some instances supervises the selection of delegates before the convention in order that the choice of men and women well disposed toward him may be assured. It is stated on good authority that more than 400 delegates to the Republican National Convention were Federal officeholders. A delegate holding a government job will hardly act contrary to the wishes of an administration upon which he is dependent for his position.

The situation at Chicago was thus very well in hand and the president's lieutenants—Ogden L. Mills, Walter F. Brown and Henry L. Stimson among others—had no cause for concern over a possible revolt. They and the president, with whom they were in constant telephonic communication, were in a position to dictate every step taken by the convention. This they did.

THE PLATFORM

When the platform was announced very little attention was paid to it as a whole. A party platform is a document which is supposed to express the policies and to contain the pledges of the party. But party platforms are usually meaningless, are not really binding upon candidates and are filled with generalities meant to be ambiguous and meant to be forgotten. Candidates frequently disregard totally the platform and at times they even repudiate it. President Wilson openly ignored the party platform in 1912 and Alfred E. Smith did not hesitate to take a wet stand in opposition to a dry platform declaration in 1928. The real issues come out as the

campaign progresses. They are not as a rule to be found in party platforms.

PROHIBITION

However, it seems that this year there will be one exception. The Republican Party has adopted a plank concerning the eighteenth amendment which is taken as a definite pledge and a definite expression of party policy. President Hoover is committed to it and much will be heard about it during the campaign. And it appears certain that the Democrats will incorporate in their platform a plank on prohibition upon which they will stand throughout the campaign.

The Republican National Convention, therefore, holds interest for the one significant development—the prohibition plank and the fight on the floor of the convention, which its adoption occasioned. The events which took place at Chicago during the night session of June 15 are well known. The platform containing the prohibition plank approved by a majority of the committee on resolutions was read to the delegates by James R. Garfield. Immediately afterward a minority report, which urged the submission of an amendment to repeal the eighteenth amendment, was presented by Senator Hiram Bingham. A two-hour debate followed during which Ogden L. Mills was the most important advocate of the majority (the president's) plank, and Dr. Nicholas Murray Butler, the outstanding proponent of the minority, the so-called repeal plank. At the conclusion of the debate the delegates voted. The count was 681-472 in favor of the majority plank.

Thus, the Republican Party has incorporated into its platform a pledge to offer the American people the opportunity of changing the eighteenth amendment. The significant section of the plank reads:

We do not favor a submission limited to the issue of retention or repeal, for the American nation never in its history has gone backward, and in this case the progress which has been thus far made must be preserved, while the evils must be eliminated.

We therefore believe that the people should have an opportunity to pass upon a proposed amendment the provision of which, while retaining in the Federal Government power to preserve the gains already made in dealing with the evils inherent in the liquor traffic, shall allow States to deal with the problem as their citizens may determine, but subject always to the power of the Federal Government to protect those States where prohibition may exist and safeguard our citizens everywhere from the return of the saloon and attendant abuses.

CONTROVERSY

It is this declaration which has provoked a stormy controversy throughout the country. The plank has been condemned and approved. The administration has been charged with "straddling" the issue and with trying to please both dries and wets. The plank has been called vague and indefinite. There seems to be considerable misunderstanding as to just what the Re-

publicans really propose to do about prohibition if they are returned to power next November. However, the meaning of the plank while vague in some respects is unmistakably clear in others.

In the first place the Republicans admit that the situation created by the eighteenth amendment is deplorable and should not be allowed to continue. The flagrant violation of the law has brought into being a condition which is doing immeasurable harm to the country. There should perhaps be a change. This the people must decide. But, the Republican Party believes, certain decided gains have after all been made since the adoption of national prohibition. Prior to that time the open saloon was a disgrace to America. It harbored criminals, corrupt politicians and undermined the moral fiber of the working man. This state of affairs should under no considerations be permitted to return, and should the people determine to change the existing law, the change should only be one which would effectively bar the saloon from ever opening its doors on the streets of any American town or city.

Moreover, the Republican Party is convinced that those states which decide to remain dry should have the necessary protection from the inflow of liquor from wet states. Therefore, in the event of a change, it would be necessary to take the measures necessary to safeguard them. The party does not state specifically what these measures should be, nor does it say in what way the saloon might best be prohibited. Such decisions would be left to Congress. The party takes the view that its own function is to express broad principles. The legislative details are to be left to the national legislative body.

CONFUSION

Because of the confusion occasioned by the publication of the Republican plank on prohibition, the administration lost no time in launching a campaign of education in order to clarify its position before the American people. Secretary Stimson and Secretary Mills have both made statements to explain the stand taken by the administration. Mr. Mills has perhaps given the clearest official exposition:

It is said that the plank is indefinite. Quite the contrary. Its important provisions are set out in clear and unambiguous language. What are they?

First—Submission by the Congress to the people through the State conventions duly elected by the people of a new amendment modifying the Eighteenth Amendment.

Second—The proposed amendment to allow the States to deal with the problem as their citizens may determine subject to the specified powers reserved in the Federal Government.

Third—Reservation in the Federal Government of the power to protect those States where prohibition may exist and safeguard our citizens everywhere from the return of the saloon and attendant abuses.

The broad principles here laid down may be summarized in one sentence—returning to the States initiative, determination and responsibility and retention in the Federal Government of sufficient power to attain two specifically named objectives.

This is what the Republican prohibition plank which has caused such a stir in every part of the country means, according to the construction placed upon it by administration leaders. It has, however, created a first-rate controversy which will not abate until the termination of the campaign. The wets are dissatisfied with it and the dries feel that their party has abandoned them. The extent to which feeling runs may be judged from an editorial in the New York *Herald-Tribune* which is probably the source of the Republican Party's most

powerful newspaper support in the country. The editorial, criticizing severely the plank as approved by a majority of the Resolutions Committee, ended with these words:

If the Great Compromisers of Chicago have left anything out in the haste of their arduous performance we cannot recall what it is. They can retire for a long rest assured of the hearty disapproval of every one with an honest conviction on the subject.

With few exceptions this is typical of the editorial comment which heaped an avalanche of disapproval upon the plank as finally adopted. The wets are of the opinion that the party should have pledged itself to submit an amendment calling for the outright repeal of the eighteenth amendment with no conditions attached. The declarations with regard to the saloon and the protection of dry states are held to be meaningless, and only intended as an overture to the dries for their support in the election.

BORAH

But the dries seem far from satisfied with the new plank. One of their outstanding leaders, Senator William E. Borah, of Idaho, has vigorously denounced the party's policy before the Senate, and has emphatically stated that he will not support President Hoover on the platform framed at Chicago. In the course of his address Mr. Borah said:

I contend that this platform has one definite, unmistakable proposition in it and that is the repeal of the Eighteenth Amendment. It may be vague, obscure and contradictory with reference to other matters, but the proposition of the repeal of the Eighteenth Amendment is unmistakably incorporated in that platform.

Speaking of the protection proposed for dry states the Senator remarked:

When the Eighteenth Amendment was adopted, we had thirty-three States which had prohibition in some form. The people in those States had determined for themselves how they should deal with the matter. They had passed their laws, in many instances by popular vote; they had determined their policies and enacted laws in pursuance of those policies. But were those laws respected, was the popular will respected?

The States were invaded, the law evaded and broken up, their officials corrupted by the liquor interests outside the dry States. So the very heart of the fight for prohibition was for the protection of the dry States, and the question is, What does the platform assure us in regard to that?

There is nothing here but a generality which may be construed into nothing, and I venture to say that the American people will not be satisfied until they have something specific as to how the dry States are to be protected. When we get something specific it is the most difficult thing in the world to provide for.

Thus stands the issue which has arisen over the prohibition declaration of the Republican Party. The extreme wets and extreme dries both disapprove of it and only the moderate wets and liberal dries seem at all disposed to accept it. Perhaps the administration's attitude was aptly expressed by Secretary Mills when he said: "It's hard to please everybody, and we did the best we could."

Several prominent political analysts take a view uninfluenced by wet or dry affiliations, which is worth noting. For example Frank Kent, writing in the *Baltimore Sun* gives his opinion thus:

What it really will do if it goes through is: Repeal the Eighteenth Amendment, wipe the Volstead act off the books and return the whole liquor problem back to the States to deal with as they will, barring only the restoration of the old-time saloon. Even that



THE BATHING BEACH CENSORS ARE AT IT

—Hanny in Philadelphia INQUIRER

could be done under another name and with slight camouflage—and done it will be, too.

There will be endless discussion of this plank. It will be assailed from both sides. But these are the facts about it. It is a wet plank, so wet that nothing but a complete knowledge that they were being overwhelmed by the wet avalanche can account for the dry acceptance. Under it the whole scheme of national prohibition is scuttled and the States Rights in this business restored. Under it not only light wines and beers will come back to the States that want them, but whiskey and gin as well.

And Walter Lippmann in the New York *Herald-Tribune* takes this point of view:

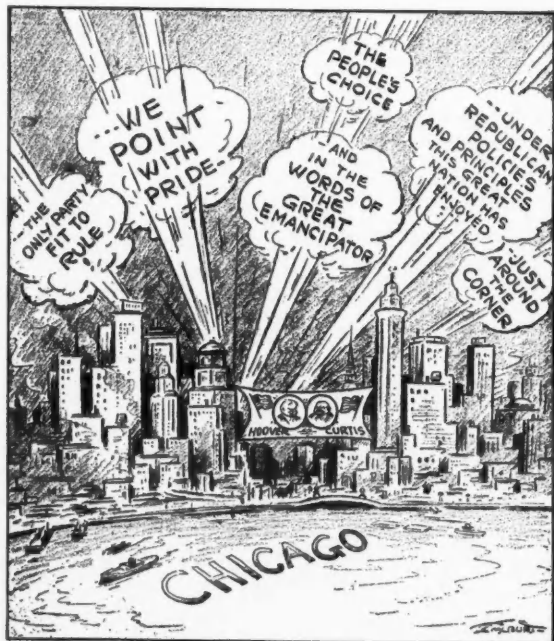
Under cover of a smoke-screen of dry slogans, the Republican Party has abandoned national prohibition. So effective was the smoke-screen that it may take some time before the dries realize how complete was their defeat and the wets how imposing was their victory.

FEDERAL SALARIES

After a fight of several months' duration, the Senate and House virtually reached an agreement on the reduction of government employees' salaries last week. By a vote of 326 to 45, the House of Representatives accepted President Hoover's furlough plan after rejecting a proposal to reduce all salaries by a flat ten per cent. The Senate had previously accepted the furlough plan after several shifts of position. While there remain slight differences between the Senate and the House bills, they are not enormous and it is not expected that difficulties will be encountered in settling them in conference.

The main provisions of the furlough plan, which is estimated to result in a saving of more than \$100,000,000 during the next fiscal year, are as follows: 1. All employees of the government working on an annual basis and receiving more than \$1,000 a year will be obliged to take leave without compensation for twenty-four working days no more than five of which need fall within any one month. 2. All per diem employees, or those receiving compensation on a daily basis, will work on a five-day week instead of the five and one-half day basis. 3. Employees whose service is indispensable will not be furloughed but will receive a salary reduction on a graduated scale. Those receiving between \$1,000 and \$10,000 will receive an 8.3 per cent cut; between \$10,000 and \$12,000 a 10 per cent cut; between \$12,000 and \$15,000 a 12 per cent, and so on until \$20,000 where a 20 per cent cut will be imposed.

The Eucharistic Congress opened in Dublin, Ireland, on June 22. It was estimated that more than 500,000 people flocked to the city to witness the formal ceremony. As many as twenty different countries were represented.



THE WINDY CITY

—Talburt in Washington NEWS

Foreign Writers Give Sidelights on American Movies Abroad and Jew-Arab Conflict

What part has the American motion picture played in influencing the opinions of foreigners about American people and American life? The movies produced in this country are widely shown abroad. The pictures which appear on Broadway are also flashed on the screen in London, Paris, Berlin and in countless foreign cities and towns. So it is that people in nearly all parts of the world go to movies which are made in the United States and which they often take to be representative of the current of American life. To what extent is this true?

A letter which we have received from Yorkshire, England, recognizes the fact that the movies exaggerate only too frequently, and that they often are confined to the sensational, the criminal and the superficial—all of which exist in this country as in others but which are not truly representative. Nevertheless the average individual abroad does not always take this into account and through the movies gets a wrong picture of America. Our correspondent says:

To the ordinary Englishman America appears to be a land of movies and gangsters, and the reason is obvious. It is, as you say, unfortunate that instead of acting as a means of promoting international understanding the movies prefer to depict the vile, and I am sure, the untrue portraiture of American life.

It is, therefore, as a result of this that the average Englishman looks upon the American with scorn. Recent events have not bettered his opinion, by which I refer to the attitude taken by the American government with regard to the war debts and reparations. It is to her advantage that America should make an attempt to promote a better and more friendly understanding between England and herself. It is essential in order to increase confidence between the two countries, for how otherwise can international dealings be carried on without this feeling of friendliness and trust?

The same correspondent adds some interesting paragraphs on present-day social life in England with particular reference to the younger generation:

As of old the elders of our country have very little faith in the younger generation. Constantly one hears remarks concerning the inability of the present generation and the fear of England's future. Too much time, it is said, is spent in the lighter side of life. On the face of it, this remark seems to be true, yet on close inquiry a remarkable state of affairs is disclosed. The youth of England are today prepared and anxious to prove their worth in handling the affairs of their country, of which they are justly proud.

Ample opportunity is provided for education in all classes, and if our critics would only take the opportunity to inquire, they would find a surprising number of young people who, when the time comes, will be amply prepared.

It is of course impossible for me to compare the English youth with that of America,

for I cannot conceive the young people of your country daily indulging in the frivolous life as portrayed by the movies.

Like you in America, we in England have also seen a great reaction as a result of modern scientific progress, in which wireless has played a very prominent part. In spite of all this we can still find a large number of the school, who, despite the present mechanical age, still persist in carrying on as their forefathers did.

Sport, which is said to be one of the chief reasons for the lack of youthful enterprise, receives, as you will doubtless know, a large and enthusiastic following, and here I should like to point out how this particular sphere of life portrays the temperament of our race. The distinction of being "a great fighter and a good loser" is an achievement which I hope I can truly state is accepted throughout the world as typical of an Englishman. It is embodied in our tradition and constantly impressed upon us in school and after life.

One of the very complex and certainly one of the most interesting problems of the Near East is that of the Jews in Palestine. A constant struggle is in progress between Jew and Arab as the former seeks to re-establish himself in the country of his ancestors. The Arab resents and fights back at this unwanted intrusion, and the British government, charged by League of Nations mandate with the administration of Palestine, has a particularly difficult task on its hand to reconcile and keep at peace the two opposing forces.

An English correspondent located in Haifa, a port on the Mediterranean, who is in an excellent position to observe conditions as they are, makes the following analysis of the problem:

The British Government is charged with a mandate to administer Palestine according to the terms of the Balfour Declaration of 1917—a declaration made before Palestine had fallen into the hands of the British forces during the war. The reason for making the declaration at all is a little obscure. That Balfour felt the urgent necessity of settling the Jews as a matter of concern to the peace of the world is true; that he made it as a piece of bargaining to get Jewish resources on the side of the Allies, at a time when their fate in the world war was in the balance, is certain.

Yet, when one considers the terms of that declaration, (which runs: The British Government view with favor the establishment in Palestine of a National Home for the Jews, providing nothing shall be done which shall prejudice the rights of non-Jewish communities) and realizes that before immigration began non-Jewish communities represented 90 per cent of the population, (of which 75 per cent is Moslem and 15 per cent Christian) the measure of discontent can be imagined.

Since immigration has been open to the Jews, the Jewish population has increased and now represents about 25 per cent of the total—the Moslems still maintaining their supremacy.

My own view of the National Home for the Jew policy is that whilst feeling that the Arabs have a grievance in that they see that eventually the country of their birth will become entirely Jewish, I realize at the same

time that if progress and development are the end for which we strive, there is no other people in the world fired with such enthusiasm for Palestine as the Jews.

The upbuilding of Palestine to them is a national and spiritual ideal. To them I can well imagine the link with the past that they feel. The same land which 2,000 years ago was the scene of their Cedar Palaces before Europe boasted of mud huts.

It is in the spirit of their past association with this land which is the driving force by which the Jews are trying to run before they can walk. The success of the Jewish National Home ultimately is assured to them if they would only take things calmly and so make the task of administration of the mandate a less troublesome affair. The mandatory power has undertaken this double-barrelled policy to help the Jews and to do no harm to non-Jews. The consequence is that the government has ever to check excess on both sides—a most thankless job.



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JERUSALEM—A STREET IN THE JEWISH QUARTER

JAPAN WARNS

The Japanese have come forward with a "Monroe Doctrine" of their own as applied to the Asiatic continent. At a dinner given on June 21 in welcome to the new American ambassador, Joseph C. Grew, Viscount Ishii, privy councillor and former ambassador to the United States, sounded a warning that war between this country and Japan would result if we should ever attempt to dominate that part of the world.

Viscount Ishii made his pronouncement in pacific tones and the immediate reaction in this country was not unfavorable. He said that if the United States "ever attempted to prevent Japan's natural expansion, then a grave situation would indeed be created, since Japan is an overcrowded nation which could not be shut up indefinitely in her small islands." But the viscount looked upon any effort to dominate Asia as highly improbable and expressed his satisfaction that our only interest was in the maintenance of peace and established treaties. He renewed the pledge of the Japanese to maintain the "open door" and equal opportunity for all nations.

It appears, then, that the Japanese, while anxious to preserve cordial relations with other nations, are determined to push to a conclusion their program of expansion in China. This, of course, means the control and probably the future annexation of Manchukuo. The viscount seemed to imply that the American government must not seek to prevent such action, otherwise a serious situation may be created.

Their ardor cooled by the Senate's defeat of the Patman bill, many bonus marchers were preparing to leave Washington last week. The chief of police of the District of Columbia was negotiating with railroads for transportation of the veterans to their homes. It was reported, however, that a standing army of several thousand would remain in Washington until the bonus is paid. Plans were also being made for the formation of a permanent organization.

THOUGHTS AND SMILES

The statesman leads where the politician tries so to till the soil as to avoid giving offense. Would to God we could exchange a thousand politicians for even one statesman.
—Nicholas Murray Butler.

Must be a great relief to a defeated candidate to reflect that he doesn't have to keep the promises he made during the campaign.
—Toledo BLADE

Some of these Washington propagandists who run to the radio every whistitch remind us of the truth of the old saying that "to air is human."
—Philadelphia INQUIRER

Vaudeville is said to be returning to favor and a novel closing turn would be a troupe of assorted politicians in a budget balancing act.
—Hamilton SPECTATOR

Some men think they have an inferiority complex, when as a matter of fact they're just inferior.
—JUDGE

Right is more beautiful than private affection, and is compatible with universal wisdom.
—Emerson

Many sound relief plans are only that.
—Charleston (W. Va.) DAILY MAIL

What more appropriate than Alfalfa Bill's presidential boom should go haywire?
—Duluth HERALD

To show the trend of the times, the Spring Valley school board fired the superintendent, cut teachers' salaries and raised the pay of the athletic coach.
—Janesville DAILY GAZETTE

Annapolis grads must go to sea for two years before they marry. And then they'll be at sea permanently.
—Omaha EVENING WORLD-HERALD

The keener the want, the lustier the growth.
—Wendell Phillips

The next party platforms will contain a lot more viewing with alarm than pointing with pride.
—New York HERALD-TRIBUNE

Nice growing weather is reported. We hear that the Thames is receding and that several riverside bungalows are coming up beautifully.
—London PUNCH

Gosh, even the atom is busted.
—Springfield UNION

PRONUNCIATIONS: Morges (mor-je—o as in or), Leman (lay-mahn—n scarcely pronounced), Marmaduke Grove (mar-ma-doo' kay—a as in shark—gro'vay—o as in go), Junta (hoon'ta), Paul-Boncour (pol—o as in or—bon-koor—first o as in go, n scarcely pronounced), Ishii (ee-shee-yee').



—Courtesy Canadian Pacific

ENGLAND—DURHAM CASTLE

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WEDNESDAY, JUNE 29, 1932

REVIEW OF THE WEEK

AN ISSUE of far-reaching importance is developing concerning the part America should play in the international economic conference which is planned for next fall. The British government suggested a few weeks ago that the leading nations send representatives to London for the purpose of considering means of stabilizing world commodity prices. The idea is that there should be a discussion of means whereby the nations, acting collectively, may do something to prevent economic disaster and to set in motion forces leading to recovery. It is generally recognized that the depression is international in scope and that its causes are to be found in conditions which can be removed only by cooperative action on the part of the great powers.

The United States government responded to the invitation in a note made public by Secretary of State Stimson on May 31. Our government accepted the proposal with reservations. It agrees that we shall attend the conference with the understanding that war debts, reparations and disarmament shall not be discussed. It is understood that our government will consent to a limited consideration of the tariff. We are willing to discuss means whereby tariff provisions shall apply equally to all nations and shall not be discriminatory, but we will not consent to a discussion of the desirability of reducing tariff rates.

The suggestion of our government that the proposed conference should have nothing to do with war debts, reparations or disarmament has raised a clear-cut issue as to the extent of our cooperation with other nations. Dr. Nicholas Murray Butler, president of Columbia University, is leading in a campaign to create a sentiment favorable to full-fledged participation, without reservation, by our government in the conference. The League of Nations Association, of which he is a prominent member, has asked a number of leading business men and financiers of the nation whether they think this country should discuss war debts and reparations and tariffs with the other nations. The leaders of the Association

believe that there must be a modification of reparations, war debt and tariff policies by the nations before we can be started on the road to recovery, and they think that action of this kind cannot be taken except through the cooperation of the United States. They say that our government, by barring a consideration of these problems, is really preventing a consideration of the most urgent of all the great international issues.

Nearly all the replies received by the Association agree with this point of view. W. W. Atterbury, president of the Pennsylvania Railroad Company, expresses in these words the general view of the business leaders who were consulted:

In my judgment, any international conference called to study world economic conditions and make efforts to improve them cannot avoid active consideration of reparations and international debts. All international payments are, in essence, the resultant of the play of the economic forces. Any consideration, therefore, of the efforts to improve economic conditions necessarily must take account of debts of all kinds which world trade may or make not make possible of payment. If it be true that political debts, the payment of which may necessitate an unbalanced movement of world trade, act as barriers to the normal development of international commerce, certainly that fact cannot be ignored by the international conference; likewise, if tariff or trade barriers interfere with that free exchange of commodities between nations which is essential to normal prosperity, such facts must be faced frankly. In other words, any international conference must deal with all the pertinent facts.

It should be understood that the question as to whether the United States should enter unreservedly into a world economic conference and should consider the relation to the depression of the debts owed to us and of the tariffs, even our own, is not a political issue, at least not yet. President Hoover last December in his address to Congress, said that the debt settlements should be modified, and he has indicated in times past a desire to talk over problems incident to them with other governments. Congress has declared that it opposed a further modification or revision of the debt settlements. Since then the president has let the matter rest, and the declaration of Secretary Stimson indicates that the administration does not intend at present to force the issue. The Democrats have not yet declared themselves officially with respect to debts, though they have declared in favor of an international conference to discuss tariff revisions.

Dr. Butler delivered a stirring address on June 20, calling for a conference "which should devote itself quickly and constructively to a reexamination and readjustment of the inter-governmental war obligations, including reparations, to a study of the obstacles put to trade by steadily rising and vexatious tariff barriers, and to an examination of the fundamental problems connected with the world's monetary system." He went on to say that "in the face of the situation which confronts us, it is

worse than idle for Washington, or any portion of our press, to continue to harp upon the necessity for isolation, of keeping out of what are called European troubles, and for not mixing in the affairs of other nations. All such talk is out of date, and any policies framed in conformity with it will be aimed directly at our own national interest and our own national prosperity."

THE Democratic National Convention is in full session at Chicago. It has been unofficially in session for more than a week. Party leaders came early to Chicago and held a series of conferences at which important decisions were made which may have decided the fate of the convention. Developments came in rapid succession. Governor Roosevelt seemed very close to the nomination, and at one time it appeared that he would have the support of nearly all the New York delegation. It was held that the only hope of the anti-Roosevelt forces could come from Alfred E. Smith. If Mr. Smith should decide to make a strong statement explaining his attitude toward Governor Roosevelt it was thought that he could prevent his nomination. It is not known at this writing, however, whether Mr. Smith would go so far.

Another Democrat made a more determined bid for the nomination last week. Speaker John N. Garner declared himself in favor of the repeal of the eighteenth amendment, and announced his willingness to serve his country and his party. The speaker's statement came as something of a surprise, for he had been looked upon as a dry. He pointed out, however, that he had voted against the eighteenth amendment. It appeared last week that the Democrats would certainly take a stronger stand on prohibition than have the Republicans and that they would either advocate repeal or the submission of an amendment calling for repeal.

DISARMAMENT and war debts became indirectly linked last week as European and American statesmen made desperate attempts to bring to a successful outcome the two conferences meeting on the shores of Lake Lemane—the Geneva disarmament conference and the Lausanne reparations conference. On the night of June 20, Hugh S. Gibson and Norman H. Davis, members of the American disarmament delegation, made a secret trip from Geneva to Morges, a small town on the shores of the Lake, where they met M. Herriot and M. Paul-Boncour of France, the former in charge of the French delegation at Lausanne and the latter at the head of the French group at Geneva. It is understood that the principal object of the meeting was to secure French support for the American disarmament plan, which would provide drastic reductions in the size of land armies. Mr. Gibson is reported to have told the French leaders that the United States would hear of no proposals to cancel war debts so long as Europe continues to spend such large sums for armaments.

The following day, Mr. Gibson went to Lausanne where he conferred with Prime Minister MacDonald on the disarmament question. With these moves, the American delegates in Geneva have once more taken an active hand in the disarmament question, hoping to succeed in having the conference draw up a treaty which will actually result in the reduction of armaments.

Although the reparations conference had reached no major agreements last week and its work was progressing at a slow pace, it had in no sense resulted in failure or even a deadlock. M. Herriot, speaking for the French, refused to accept the recommendations of the British, Italian and German delegates that reparations be completely wiped out. He did present a plan, how-



THE OBSCURING SHADOW

—Kirby in N. Y. WORLD-TELEGRAM

ever, which would make some concessions. The main proposals of the French plan were: first, that all reparations should be postponed for at least one or two years; second, that reparations should not be completely wiped out since such an act would result in transferring the burden from the Germans to the other nations; third, that the Young Plan be revised at the end of the new moratorium so as to reduce the total reparations held against Germany; fourth, that it is necessary for the United States to consider a reduction of war debts to compensate for the losses sustained in the reduction of reparations payments.

ON June 22, President Hoover made one of the most far-reaching disarmament proposals yet presented to the Geneva conference. The plan, if adopted, would result in a reduction of the total world armaments by approximately one-third. Instruments of chemical warfare, large mobile guns, bombing planes and tanks would be completely abolished. Armies would be reduced one-third above the number necessary for police and defense purposes. Battleships and submarines, cruisers and destroyers would be reduced drastically below the present treaty limits. It is estimated that this program would save from ten to fifteen billion dollars to the nations of the world within the next ten years.

SINCE the first of the month, Chile has witnessed four definite revolutionary movements. As we mentioned last week, the Montero government was overthrown on June 4 by a group of rebels, and a socialist government established under the direction of Carlos Davila. Then Davila was forced to resign because of opposition in the junta, or governing group, and Colonel Marmaduke Grove became the actual, if not the titular, head of the government. The third movement was directed against Colonel Grove and succeeded in deposing and imprisoning him and replacing Señor Davila once more in charge of the junta. Finally, a counter-revolutionary drive, begun by the Chilean air forces and supported by the Communists, made an attempt to release Colonel Grove and put him in charge of the junta. The move, however, was unsuccessful, and Davila remains in power at this writing.

These political disturbances have retarded the socialization of the government and industries of Chile, and have clouded the future of the country in uncertainties. Foreigners having large sums invested in Chilean securities and industries are viewing events with considerable attention and concern, envisaging the possibility of an extreme degree of socialism which might lead to losses of their investments. In the meantime, various factions are urging the immediate calling of national elections so as to clear the political atmosphere and put the government on a definite working basis.



A CONFERENCE TO END CONFERENCES

(The United States will only join in the World Conference on the understanding that War Debts, Reparations and Tariffs are not discussed.) —London DAILY EXPRESS

THE LIBRARY TABLE

A NEW WEEKLY

So many periodicals have fallen by the wayside as a result of the depression that it is gratifying to see signs of renewed life and increased vitality in any of the magazines. The *World Tomorrow* gives indication of accelerated activity in its announcement that, after having carried on as a monthly for fifteen years, it will begin publication early in September as a weekly journal.

The *World Tomorrow* is liberal, or radical, in its editorial policy, though it differs from most of the left wing journals in its religious leanings. It represents the effort to build a new social order around the teachings of the Christian religion. An indication of its editorial policy is afforded by the following enumeration of conditions which, in the opinion of the editors, will make for recovery from the unfortunate state of things in which the world finds itself:

Among the indispensable conditions of recovery for our civilization, we would include the following: cancellation of reparation and war debts; substantial reduction in tariffs; strengthening of the League of Nations and its non-military sanctions; rapid increase in the number of war resisters; drastic disarmament; revision of the Treaty of Versailles; recognition of Soviet Russia; abandonment of imperialistic control of weaker peoples by the Great Powers, including the freedom of India and the Philippines, and the restoration of Manchuria to Chinese rule; adequate federal relief of the unemployed, and the rapid installation of a comprehensive system of social insurance; public ownership of natural resources and major means of production and distribution, and the rapid expansion of economic planning; a far more equitable distribution of wealth and privilege; less seeking for private profit and more public devotion; less competition and more coöperation.

The editors of the new weekly will be Kirby Page, Reinhold Niebuhr and A. Albert MacLeod, editors of the paper in its present form, and in addition Paul H. Douglas, professor of industrial relations and economics at the University of Chicago.

POLITICS AND PSYCHOLOGY

"Although our industrial fabric is falling to pieces before our eyes, the authors of this platform made no use of the expert economic advisers who were available,"

says the *New Republic* in an editorial denouncing the lack of leadership at the Republican convention. And the *Nation*, like the *New Republic*, independent in party politics and progressive, or liberal, in policy, carries an anticipatory discussion of the Republican and Democratic gatherings under the suggestive title, "The Moronic Conventions." Thus do those who see the need for definite programs of action express their scorn for the fumbblings and evasions of the party conventions.

The leaders of a political party assembled in convention are confronted, of course, by difficult problems. They are out to win the election. To do that they must secure the support of approximately half the voters of the nation. Now it is hard to devise and write down any set of principles upon which half the people of the country will agree. If one is speaking to an average body of farmers, he can lay before them a good many propositions which would command their general support. If the doors of the meeting place are thrown open and a number of business men walk in, many of the propositions which had been agreed upon will have to be thrown out in order to gain the support of the group as reconstituted by the addition of the business men. If the doors are again thrown open and a body of laborers step into the hall, some more planks will have to be thrown overboard. And if there are later accessions of school teachers, lawyers, bankers, preachers and unemployed, the number of positive planks in the proposed platform will have to be cut down until very few are left. Yet if a political platform is to command the support of half, or more than half, of the voters of the nation, it must win over farmers and laborers and business men, professional men and unemployed. It is little wonder, then, that platform makers are very careful about their declarations and try to appear all things to all men.

Of course a body of really courageous leaders might consult with the greatest living political and economic thinkers and devise a program for a time of crisis, with no thought except that it be such a program as might stave off disaster and lead to recovery. These courageous leaders might attempt, then, to educate the people to the

support of their program, and might look hopefully for success. But such an act of faith cannot be expected except from statesmen of first rank.

It may seem a strange thing to advise as suitable campaign reading a book written a quarter of a century ago. It is our opinion, however, that those who wish to follow the events of the months between now and November intelligently, would do well to read "Human Nature in Politics," which was written by Graham Wallas, English political scientist, in 1908. Mr. Wallas called upon his experience as a psychologist, a student of government and a practical politician in the preparation of this work, which describes the mental processes by which voters come to their conclusions and the arts by which they are influenced and by which they are often duped. One finds here the psychological explanation of much that goes on in the world of politics. He finds also a reasoned outline of the author's faith in the possibilities of progress in the direction of efficient government.

THEORIES OF PROGRESS

It is an easy thing to speak glibly of progress and to express one's faith in its achievement, but what, after all, do we mean by progress? The conception implies change, of course, but change in what direction and toward what goals? This question is frequently answered by saying, toward a state of things in which a greater number of people will be happy. But of what does happiness consist? One can really answer the question as to the nature of progress only after having done quite a little careful thinking. In the development of his thought on this subject the reader may find assistance in "The Idea of Progress—an Inquiry into its Origin and Growth," by J. B. Bury, the English historian (New York: Macmillan Company, \$2.50). This work was published in England in 1920 and is now reprinted in this country with an introduction by Charles A. Beard. The introduction describes the nature of the problem and closes with this observation concerning the part which the conception of progress has, and may have, in human development:

From what has been said in the preceding pages it is evident that the idea of progress is both an interpretation of history and a philosophy of action. Whether the evolution of mankind is at bottom a progressive revelation of the spirit of God, an unfolding of the Idea, as Hegel taught, or a continuous adaptation to changing material circumstances, as Marx emphasized, it is essentially movement. And defenders of progress must assume that on the whole it is in a desirable direction. If in final analysis the concept of progress is untenable as explanation, it may yet become the dominant note during an enormous future to be explored. Conceding for the sake of argument that the past has been chaos, without order or design, we are still haunted by the shadowing thought that by immense efforts of will and intelligence, employing natural science as the supreme instrumentality of power, mankind may rise above necessity into the kingdom of freedom, subduing material things to humane and rational purposes.

THE FOUNTAIN

With the gifts and talents of a true artist, Charles Morgan has made a distinctive contribution to modern literature in his latest novel, "The Fountain" (New York: Alfred A. Knopf, \$2.50). Mr. Morgan, who is a young English writer and

dramatic critic of the London *Times*, has handled his subject masterfully and beautifully. So skillful is the author in his use of words that "The Fountain" has the effect of excellent poetry upon the reader. And yet, Mr. Morgan does not lose himself in abstractions in the development of his plot and the analyses of his characters.

The scene of "The Fountain" is laid in Holland, a country often neglected in contemporary fiction. The period is the war time. In his choice of characters, the author has given us a wide range.

The three principal characters are of different lands, culture and temperament, the first a young English officer, the second an officer in the German army and the third an English girl, wife of the German and step-daughter of a wealthy landowner of the Netherlands.

Around the experiences of these three individuals, Mr. Morgan has woven his story. The Englishman, interned in Holland during the

period of the war, comes in contact with the aristocratic Dutch family of which his former pupil, Julie Quillan, is a member. At the invitation of the Dutch nobleman, he takes up residence in their castle in order more efficiently to write his book on the contemplative life. The result is a love tale of the highest order. Julie, however, is married to the German officer who, toward the end of the book, returns from the front severely wounded.

Here we have all the elements of a conventional triangular love story. But "The Fountain" is in no sense such a work. The merit and beauty of the book do not lie in the main thread of the plot, but rather in the deep understanding of the three principal characters. Mr. Morgan has gone to great pains to portray the innermost thoughts of his actors, their philosophies of life and their emotional make-ups. In this respect, his work differs widely from the highly colorful contributions of writers of the romantic school. He offers reason coupled with feeling.

MAKING THE BEST OF IT

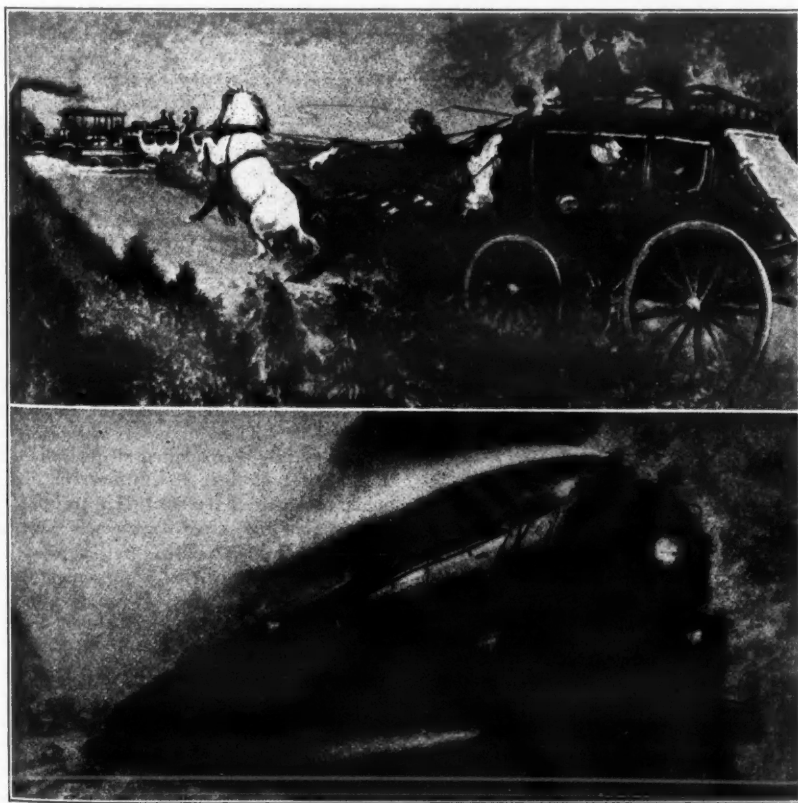
Lawrence Dennis, who has had experience with international economic problems as a diplomat and banker, has written a book on the depression and possible ways out, under the interrogatory title, "Is Capitalism Doomed?" (New York: Harper and Brothers, \$3.00). The author does not give a definite and positive answer to the question suggested by the title. "One thing is certain," he says, "man will go on living and working. Possibly frequent wars which will bring into play strong spiritual leadership will continue to provide the requisite solutions at appropriate intervals. But, then, can capitalism survive many modern wars? Russia suggests grave doubt."

Mr. Dennis presents no very inspiring remedies for the present distress. The farmers should lower their standards of living and thus get out of debt. American business should be protected by protective tariffs and the nation as a whole should be protected by adequate military forces.

This is not recommended as a great book on the depression, but it is valuable as a thoughtful presentation of the case for tariffs, dependence upon military strength, and other conceptions which have great weight in the popular mind but which are seldom defended by an appeal to intelligence and to economic reality.



CHARLES MORGAN



WE LIVE IN A CHANGING WORLD

The relation of change to progress is discussed in "The Idea of Progress," by J. B. Bury (Macmillan). The illustration is from "An Introduction to American Civilization," by Harold Rugg (New York: Ginn and Co.)



AFTER the Republican convention had completed its labors in Chicago and had announced the platform upon which its candidates were to ask for support,

*Character
of Party
Platforms*

there were many expressions of disappointment in the document which the party in power had presented to the voters of the nation. Thoughtful men and women were discouraged at what they considered the vagueness of the platform planks and at the failure of the party to make a clear-cut statement of a program designed to lift the country out of the economic depression. It may be safely predicted that comments of the same nature will be heard after the Democrats have framed their platform. We have come to expect the parties to deal in generalities in their campaign documents and to fish for the support of all classes of voters. We do not look in the party platforms for definite and challenging programs of action. Nor is this habit of evasion—this habit of dangling contradictory half-promises before mutually exclusive bodies of voters—a practice recently acquired by American politicians. It is as old as the party convention itself.

The plan of nominating candidates for the presidency and vice-presidency at national party conventions was a new one in 1840. By that year it had definitely established itself and has since been recognized as the accepted procedure. It is interesting, then, to know that in 1840 one of the political parties found itself unable to agree in convention upon any statement of principles whatever, and hence omitted the platform altogether, and that the other party, while formulating a platform, failed to agree in convention upon a candidate for the vice-presidency and left second place on the ticket vacant. The situation in 1840 bore some resemblance to that which prevails at the present time. The Panic of 1837 had thrown the industrial life of the nation out of gear. There were a greater number of business failures in proportion to the population than there have been during recent months. Banks suspended operations. Factories closed. The volume of unemployment rose and reached its peak in 1841, four years after the crash came. The presidential campaign of 1840, like that of 1932, came in the midst of economic gloom—three years after a calamitous crash had put an end to an era of wild speculation and unstable prosperity.

The political situation of 1840 differed from that of 1932 in that the party in power represented the elements of the population which were hostile to big business organizations. Jacksonian democracy made much of its devotion to the interests of the plain people, and its support came largely from small tradesmen, laborers and farmers. Then, as ever since in time of depression, the administration in power appeared bewildered when the crash came, and failed to come forward with far-sighted measures looking toward industrial stabilization or economic improvement.

It is natural that there should have been much dissatisfaction with this régime. Many political leaders disliked Jackson and his followers, and millions of people were discouraged with the hard times and longed for a change in the government.

*Disunity
of Whig
Party*

It was hard, however, to find unity or harmony among the dissatis-

fied elements—hard to bring the factions opposing Jacksonian democracy together so as to establish a strong and coherent body of Whigs, as the anti-Jackson elements were coming to be known.

Among those who called themselves Whigs were the political descendants of Federalism—those who accepted the political and economic philosophy of Hamilton. This faction was strongest in New England, and its great leader was Daniel Webster. It represented the ideas of business men. It stood for a protective tariff. It opposed the rapid development of the western lands. A liberal policy of opening these lands and distributing them among settlers at a low price made possible the migration of laborers to the West. This made it harder for employers to secure workers at low wages. The Hamiltonian Whigs also stood for a policy of so-called sound money and advocated a reestablishment of the national bank.

In the South there was strong opposition to Jackson and the Democratic administration. It came from southern planters who were aristocratic by nature and did not like the rule by the "rabble" which, as they saw it, Jackson had inaugurated. These southern Whigs were not, however, in harmony with the New England opponents of the Jacksonian policies. They opposed a tariff, and many of them had gone so far as to sanction South Carolina's attempt to nullify the tariff laws. They were inclined to favor a liberal western land policy, for they thought they could depend

upon a growing agricultural West to stand with them in opposition to the tariff program advocated by the industrial Northeast.

Among the discontented elements in the West were those who favored a liberal land policy which would bring settlers to the western regions and who stood stoutly for internal improvements—roads or canals—which would open up the West. This region had shown a disposition to compromise on the tariff, as some of its own people, notably the wool growers, felt that they would profit by a protective system. The leader of the western Whigs was Henry Clay, who undertook to assume a really national leadership by the advocacy of his "American system," which called for a high tariff, internal improvements and a liberal western land policy.

One has merely to enumerate these different factions to see how impossible it was to bring them together in support of a clear-cut declaration of principles. And yet united they must be in order to elect a president. When they met in national convention at Harrisburg,

Pennsylvania, they avoided their difficulties by ignoring principles altogether and bending their energies toward the wresting of the government from the Democrats. They decided, in the first place, that Henry Clay, the outstanding leader at the moment, should be dropped, since his name

*Evasion
at the
Convention*

was associated with definite and concrete policies which were not acceptable to all the divergent interests represented at the convention. They would name a man who was fairly popular with the country, but who was not so closely associated with controversial issues. They found such a man in General William Henry Harrison. He had attained a certain popularity by military operations against the Indians. So Harrison was nominated for the presidency.

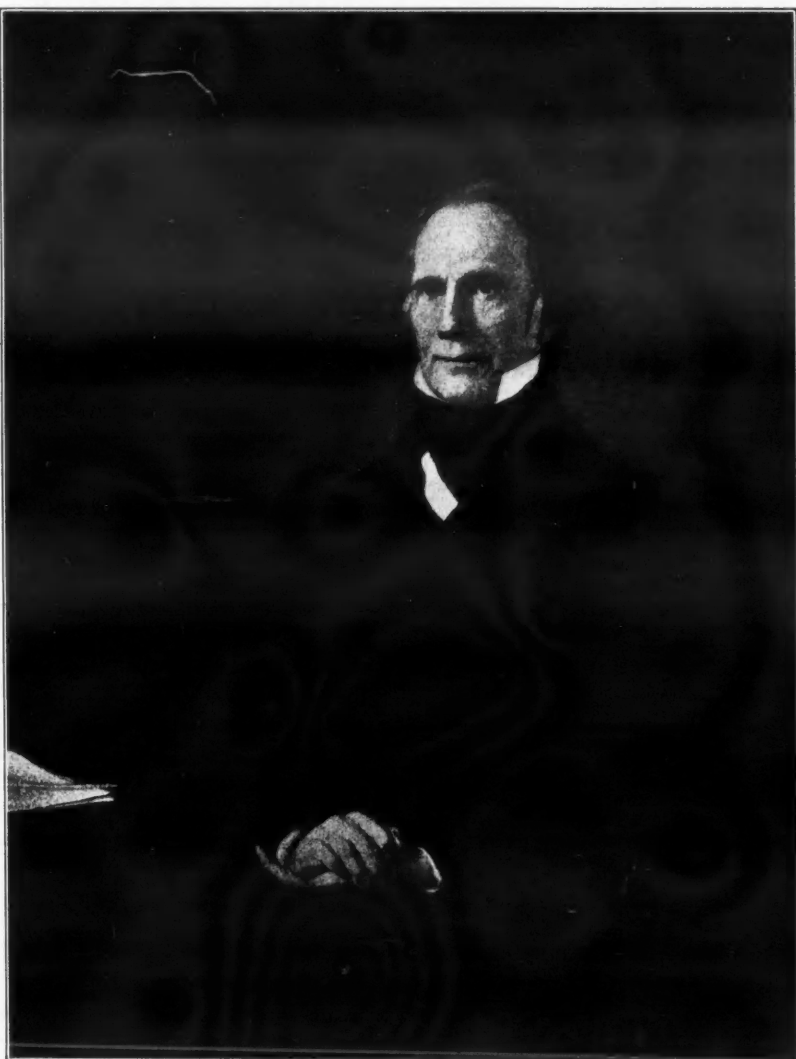
Then, as now, the vice-presidential nomination was looked upon as political bait. The possibility that the vice-president might ascend to the presidency was not given consideration, so the convention chose John Tyler of Virginia for second place on the ticket. Whereas Harrison was thought to represent the views of the Clay faction of the Whigs, Tyler represented the opposite sentiments. He was opposed to a high tariff and to a national bank. His views were in rather close accord with the Jacksonian Democrats, the chief point of opposition being the personal animosity of Tyler toward Jackson. The Harrisburg convention then adjourned without having drafted a platform.

The Democrats held their national convention at Baltimore, renominated President Van Buren, adopted a platform endorsing the work of the Van Buren administration, declared in favor of the strict construction of the Constitution and against the national bank, internal improvements or the raising of more revenues than was necessary to meet the expenses of the government. The convention was unable to agree upon a candidate for the vice-presidency, as we have said, and left that position open.

The campaign that followed was an interesting exhibition of the substitution of meaningless slogans for the consideration of public problems. The fiction was created that General Harrison lived in a log cabin and much was made of this fact by his followers. The log cabin was made the symbol of the simple life for which the candidate was supposed to stand. Cabins were erected in every town, and hard cider was dispensed. The rallying cry was "Tippecanoe and Tyler, too." Issues were ignored as the attempt was made to bring together those who opposed the party in power and who admired simple and honest living.

An interesting fact about the whole procedure is that it worked. Voters did not stop to inquire what the results would be if they elected the Democratic or the Whig candidates. Harrison and Tyler were swept into power on a wave of emotion. The campaign of 1840 offers the amazing spectacle of millions of voters noisily and enthusiastically surrendering all their claim to a hearing of their views respecting the public problems of the day. Had this been the last time that a red herring was drawn across the path of political action by designing politicians so that voters might be denied the opportunity of pronouncing judgment on national issues, we might look back upon the performance of 1840 with greater amusement and composure.

The record of 1840 is not complete without reference to the fact that William Henry Harrison died a month after assuming the presidency, his place being taken by John Tyler, of Virginia, who was about the last man that the managers of the Harrisburg convention would intentionally have chosen for the position. But the great Whig tragedy of 1841 is not a part of this week's story.



HENRY CLAY

The outstanding leader of the Whigs who was put aside in 1840 because he had expressed definite views on great national problems. (From a portrait by Henry F. Darby in the U. S. Capitol.)

GERMANY'S CREDITORS SEEK DEBT SOLUTION

(Concluded from page 1)

creditor. In his keynote address, Mr. MacDonald set forth the need for action at Lausanne. "We must not forget in all our deliberations and bargainings," he said, "that the world looks on not only in need but in impatience. It is the essence of our task that we must act with speed. An agreement reached quickly will have an effect a hundred times more beneficent than one painfully and imperfectly secured at the last moment of exhaustion and after long drawn out, irritating and pettifogging discussions."

PRESENT CRISIS

Prime Minister MacDonald touched the root of the problem when he spoke of the need for speed. The situation in Germany has become so critical that failure to act might have consequences disastrous to the whole of Europe with serious repercussions throughout the entire world. For several months now, Germany has been able, only with the greatest of difficulties, to obtain sufficient funds to pay interest charges on her bonds—and this in spite of the moratorium on reparations and the stand-still agreement on private debts of a short-term nature. Germany is thus in immediate need of relief, and if such assistance is not forthcoming she will in all likelihood within a few months be obliged to default payment of interest on bonds held by foreign investors. In other words, Germany is on the brink of insolvency, of complete bankruptcy.

Should Germany become obliged to declare a general moratorium on all debts owed by private citizens in Germany to private citizens abroad, the results would be particularly serious for other nations of Europe. It will be recalled that the crises of last summer which swept from one country to another were so serious that, in the words of President Hoover, they produced a "secondary panic" in this country. It is not difficult today to foresee the consequences of a general default by Germany. The markets of the world, particularly London and New York, would receive a severe shock. Furthermore, there is the possibility that other European nations, already tottering, would be obliged to follow in the footsteps of Germany and default payment on their foreign obligations.

Under such circumstances, it would be decidedly difficult, if not impossible, to carry on international trade. Nations, such as Germany, would no longer be able to purchase goods of other countries since there would be no means by which payment could be made. The further strangulation of world trade, which has already declined to alarmingly low levels, would only add to the intensity of the depression in all countries. It is admittedly to the interest of all nations represented at Lausanne, as well as those which have no delegates in attendance, to stave off financial collapse in Germany.

IMPORTANCE OF REPARATIONS

Nor is it difficult to imagine the possible political and social consequences of such a catastrophe. With unemployment in Germany already at the six million mark, with the impossibility of continuation of even the inadequate dole by the government, and with the burden of taxation almost at the breaking point, the seeds of revolution

and political upheavals find fertile soil. That the discontent of the people at such conditions may result in violence has been a note of warning sounded by those who appreciate the gravity of the present situation.

It is generally realized that the first step in averting such a situation is the settlement of the reparations issue. For before the question of extending loans to Germany can be approached, the problem of what is to be done about reparations must be solved. The needed assistance will not be forthcoming so long as the present uncertainty surrounds the reparations issue.

Even a complete cancellation of reparations would not, of course, afford sufficient help to prevent commercial and financial disaster. Germany has been freed of those obligations for a year now, but conditions have grown constantly worse. In order to prevent general bankruptcy, financial assistance must be found to meet the interest charges on German bonds and other foreign debts of a long-term nature. But with the reparations issue out of the way, it will be a much easier task to enter negotiations for the other items, either by application

of the standstill agreement to long-term loans whereby payments would be postponed for a definite period, or by foreign loans.

CONFLICTS

The statesmen assembled at Lausanne are familiar with these facts. Not only has the seriousness of the situation been emphasized by officials of the German government, but committees of experts appointed by the Bank for International Settlements at Basle have reported the critical state of German finances. It is no longer a question of whether Germany can continue reparations payments, for under present conditions that is admittedly impossible. But the point at issue is whether the actual state of affairs is permanent and whether Germany will ever be able to make payments. In other words, the struggle at Lausanne centers upon the question of scrapping the Young Plan, the agreement under which Germany has been making payments since 1929.

It is on this point that the views of the leaders at the Lausanne parley are at odds. While the British have taken a definite stand in urging that the slate be cleaned of reparations once and for all, they have been unable to win the French to their point of view. The British would even go further now than they did in the Balfour note of 1922 which enunciated the principle that Britain would demand no larger sums in reparations and war debts than the amount needed to pay her own war debt. At present she would cancel reparations regardless of the American attitude, provided, of course, that the other creditors of Germany would agree to do likewise.

FRENCH DEMANDS

But the French will hear of such a plan only under certain conditions.

First, M. Herriot, like his predecessors, insists that for any concessions made to Germany in the matter of reparations there must be a similar reduction in France's debt to the United States. Second, the French are willing to come to the aid of Germany in the matter of reparations only in return for political considerations such as the co-operation of Germany in the French scheme for a Danubian economic union. As far as the first consideration is concerned, namely, cancellation or reduction of France's war debt to America, little can be done at Lausanne because of the definite stand taken by the American Congress in opposing further adjustments or reductions in war debts. In the second item, political concessions from Germany, an almost insurmountable obstacle appears, for it involves sacrifices on the part of the German people which they appear to be unwilling to accept.

The whole matter of reparations is inextricably bound to the Versailles Treaty. The action of the French at Lausanne will be taken with a view to protecting her rights under the treaty. It seems fairly certain that they will be willing to make concessions to Germany on reparations only after the Germans have given them adequate assurance that they will not seek to revise the treaty; that they will renounce claims to the Polish Corridor; that they will no longer seek to unite with Austria. To these considerations the German people are unalterably opposed. The demand of every German is for revision of the treaty, for the recovery of the Corridor, for the right to arm as other nations have done.

In the last analysis, the entire question at Lausanne hinges upon Franco-German relations, which are today in a very unsatisfactory condition. Recent events in Germany have tended to make a solution of the problem more difficult. The swing of the German people toward Hitlerism with its insistent demand for revision of the Versailles Treaty, and the appointment of a cabinet considered militaristic and reactionary have only added to the conviction of the French that they must be firm in dealing with their former enemies if the order set up at the close of the war is not to be scrapped.

POLITICAL ASPECTS

It is in reality these political differences between France and Germany that make it so difficult to reach a definite settlement at Lausanne. For in spite of the apparent conciliatory attitude of both M. Herriot and Herr von Papen, there remains the fact that the national policies of the two countries are fundamentally opposed. Whatever their personal views in the matter of reparations might be, however desirous they may be of wiping out repara-

tions as a bad debt, they are bound by these policies. They must face their countrymen, and they would be forced from office if, in the opinion of the people at home, they had made undue sacrifices. Thus it becomes incumbent upon Premier Herriot to insist that the Young Plan be maintained intact even though payments may not be continued for a number of years. It also becomes necessary for Chancellor von Papen to demand that reparations be cancelled.

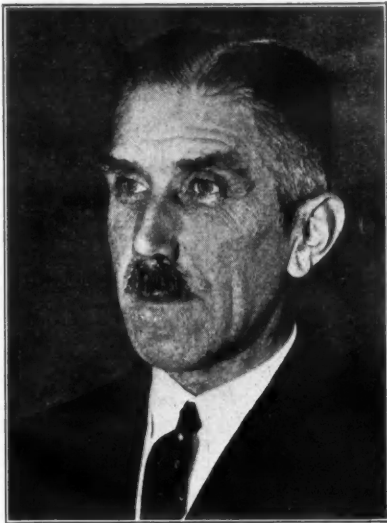
In the opinion of many of those familiar with political conditions in Europe, the Lausanne conference or any other meeting called to discuss this problem will be futile until some means of reconciling these opposing views has been devised. Mr. Frank H. Simonds, writing in the *Washington Star*, has the following comment to make on the present relations between France and Germany:

Until the peoples of France and Germany make up their minds about some basis of compromise and truce, until there are governments strong enough to accept some such temporary adjustment as that of Locarno, and thus get the political obstacles out of the way, there is literally "nothing doing" in the way of economic and financial recovery in Europe. And for two years the barriers to any such truce have been mounting, not falling. Franco-German relations today are at the least worse than at any moment since the occupation of the Ruhr.

Finally, the difficulties of reaching an agreement have been increased by the failure of the United States to send representatives to the Lausanne conference. It does not seem probable that the European nations will be able definitely to settle the reparations issue without some action on war debts owed this country. Though President Hoover has insisted that Europe should decide the reparations problem alone, the nations owing money to this country cannot but feel that the United States government should be willing to make some concessions. For that reason, there is a strong feeling that no permanent solution can be hoped for at Lausanne but that a temporary agreement, such as an extension of the moratorium, will be provided. In that event, the issue will have to be faced at a later date which has been fixed by many as after November, when the direction of the political winds in this country have been determined at the polls.

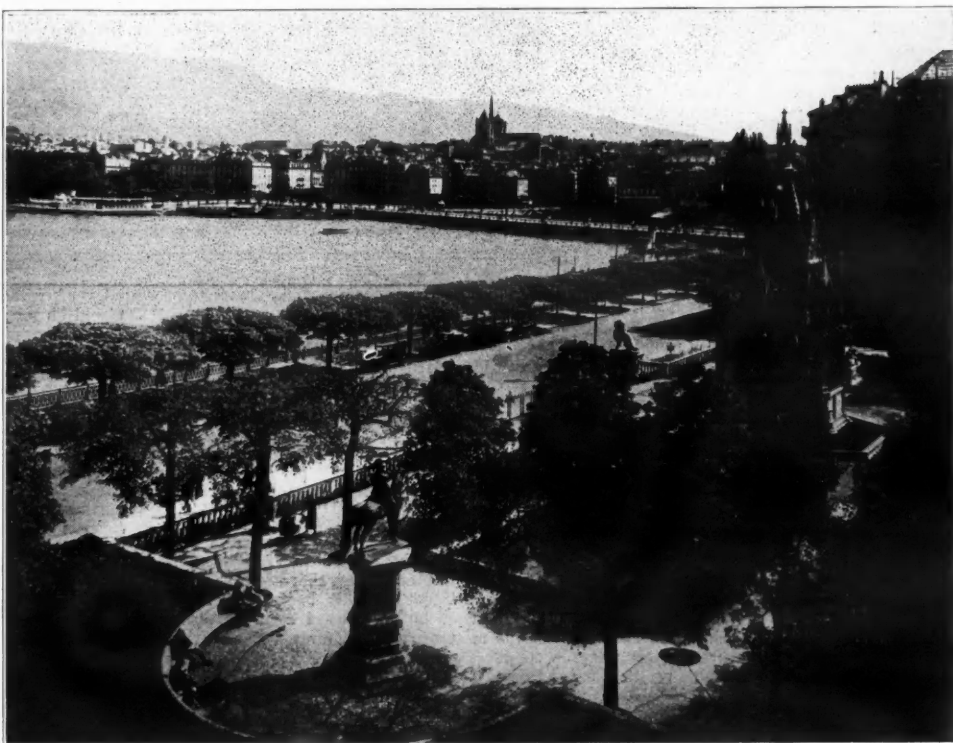
REFERENCES

For a more exhaustive study of the political and economic aspects of the problem of reparations we offer the following references: 1. Recovery: The Second Effort, by Sir Arthur Salter, (The Century Company) pp. 141-195. 2. Can Europe Keep the Peace? by Frank H. Simonds, (Harper and Brothers) pp. 302-320. 3. Lausanne: Europe Tries Again. *The New Republic*, June 22, 1932, pp. 138-140.



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FRANZ VON PAPEN



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GENEVA

With the disarmament and reparations conferences both in progress, statesmen are kept busy hurrying back and forth from Geneva to Lausanne.

Chicago Economists Give Opinion On Various Inflation Proposals

In Reply to Congressional Questions, State Possible Effects of Bonus Payment and Other Inflationary Plans to Start Recovery from Depression

It might be expected that in a time of economic crisis such as the present, those in authority would turn frequently for advice to men who have spent their lives in the study of economic problems. It would be reasonable to assume that specialists in economics might be better able than others to outline courses which might lead to recovery. As a matter of fact, political leaders do often ignore the opinions of social scientists, because the politicians are more concerned with activities which will be popular with the voters than they are with programs which would serve the interests of the country.

Many members of Congress do, however, undertake to secure the advice and counsel of specialists in economics and political science. Sometimes, for political reasons, they cannot follow this advice, but it is not uncommon for senators and representatives to call in economists to offer counsel with respect to pending legislation.

One such call for advice brought forth an interesting statement recently from the department of economics at the University of Chicago. A member of the House of Representatives wrote to two of the University of Chicago economists, asking their judgment concerning the economic effects of the proposed bonus legislation. This congressman was interested chiefly in finding out whether or not the distribution of the money by the national government to ex-soldiers would, by creating more purchasing power among the people, set the wheels of industry in motion, and thus help to bring about a revival of business. He was interested in finding out what methods of inflation, other than that of the proposed bonus plan, might be helpful.

This question was submitted to all members of the economics department of the University of Chicago. After considering the matter, twelve members of the department signed a statement, giving their views as to the possibility of stimulating business by so-called inflationary legislation on the part of the government. Here is the substance of the statement:

As a result of the depression, prices have fallen drastically, and business enterprises have been embarrassed or ruined by the price decline. This is called a deflationary process. The Chicago economists explain the possibility of checking deflation and bringing back better business conditions in this way:

Severe depression and deflation can be checked, and recovery initiated, either by virtue of automatic adjustments, or by deliberate governmental action. The automatic process involves tremendous losses, in wastage of productive capacity and in acute suffering. It requires drastic reduction of wage-rates, rents, and other "sticky" prices, notably those in industries where readjustments are impeded by monopoly and exceeding politeness of competition. It must also involve widespread insolvency and financial reorganization, with consequent reduction of fixed charges, in order that firms may be placed in position to obtain necessary working capital when and where expansion of output becomes profitable. Given drastic deflation of costs and elimination of fixed charges, business will discover opportunities for profitably increasing employment, firms will become anxious to borrow, and banks will be more willing to lend.

As long as wage-cutting is evaded by reducing employment, and as long as monopolies, including public utilities, resist pressure for lower prices, deflation may continue indefinitely. The more intractable the "sticky" prices, the further credit contraction will go, and the more drastic must be the ultimate readjustment. We have developed an economy in which the volume and velocity of credit is exceedingly flexible and sensitive, while wages and pegged prices are highly resistant to downward pressure. This is at once the explanation of our plight and the ground on which governmental action may be justified. Recovery can be brought about, either by reduction of costs to a level consistent with existing commodity prices, or by injecting enough new purchasing power so that much

larger production will be profitable at existing costs. The first method is conveniently automatic but dreadfully slow; and it admits hardly at all of being facilitated by political measures. The second method, while readily amenable to abuse, only requires a courageous fiscal policy on the part of the central government.

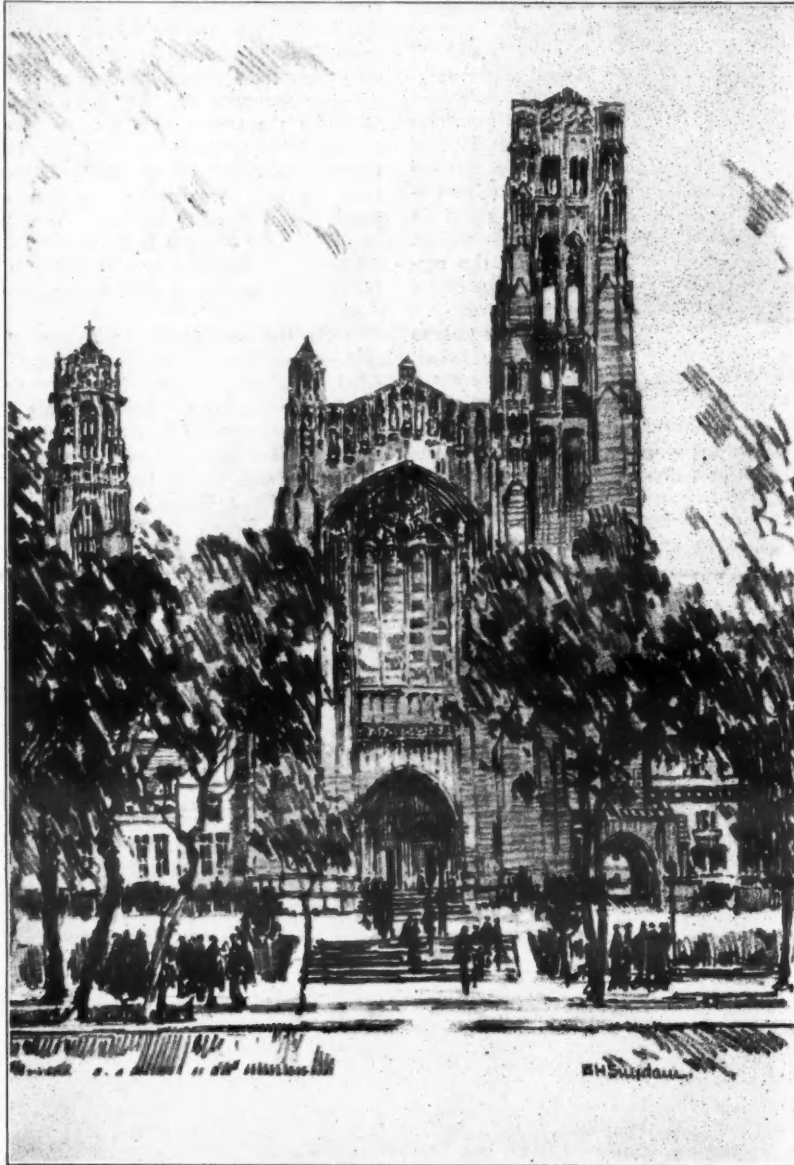
In short, recovery may come as a result of price and wage reductions which will cut costs of production so that they will be in line with the lower costs of goods. It may also be brought about by a governmental policy which will increase the demand for goods and thereby make increased produc-

maturity value, is perhaps relatively unobjectionable.

But how is the government to raise the money? If it is to raise it by bonds, just how shall the operation be carried out?

The question of how emergency expenditures, for whatever purposes, should be financed, is difficult and highly controversial. The wisest policy for the present, however, would seem to be one guided largely by psychological considerations. It is likely that adequate stimulus could be imparted, and recovery assured, without creating an excessive drain upon our gold reserves. Inflationary measures, in whatever form, will probably accelerate for a time the export of gold; but this strain we may well be able to endure until revival of business is assured. Domestic hoarding of gold, on the other hand, might force us to suspension of our currency laws; and this possibility dictates caution as to the technique of inflation. The problem is simply that of selecting the procedure which will be least alarming.

On other grounds, the issue of Greenbacks seems most expedient; but this method must be ruled out unless one is ready to abandon gold immediately, for it would create the greatest danger of domestic drain. Large



THE CHAPEL—UNIVERSITY OF CHICAGO
From an illustration by E. H. Suydam in "Chicago—a Portrait" (Century).

tion and higher prices possible. This increase of purchasing power could be brought about by larger governmental expenditures. The government still has credit. It could issue bonds, and with the money it secures from them, it could carry on a great relief program or it could engage in public building. The statement continues:

If action is needed to raise prices (and we believe it is), it should take the form of generous federal expenditures, financed without resort to taxes on commodities or transactions. For the effect on prices, the direction of expenditure is not crucially important. Heavy federal contribution toward relief of distress is the most urgent and, for reflation, perhaps the most effective measure. Large appropriations for public and semi-public improvements are also an attractive expedient, provided projects are chosen which can be started quickly and opportunely stopped. Generous bonus legislation would be the most objectionable of all available devices for releasing purchasing power. Purchase of the certificates at their present value, instead of at

sales of federal bonds in the open market would be much less alarming; but the probable effect upon the prices of such bonds must give us pause, especially since a marked decline might jeopardize the position of many banks. It would certainly be better for the government to sell new issues directly to the Reserve Banks or, in effect, to exchange bonds for bank deposits and Federal Reserve Notes. Much may be said, indeed, for issuing the bonds with the circulation privilege, thus permitting the Reserve Banks to issue Federal Reserve Bank Notes in exchange; for this procedure does not much invite suspicion, has supporting precedent, and would greatly reduce the legal requirements with respect to gold.

The Chicago economists hold that eventually the budget should be balanced; that is, in the course of any four- or five-year period the government should raise as much money as it spends, but this is not necessary in any given year. In a time of crisis such as the present the government should spend money freely and should bor-

Yale Considers Football Change

Committee Report Urges Larger Participation in Athletics

Yale University, in a report of a special committee appointed by President James Rowland Angell, has announced sweeping changes likely to be made in its athletic system. The new policy is significant as it strikes at the heart of "big football" which is a tradition at Yale, and which has developed into an integral institution in nearly all the large universities throughout the country. Of course, the plan is not to abolish varsity football teams, but it proposes to discourage the widespread attention which has been given to these teams, and at the same time to encourage sporting activities among the students within the school itself.

The report issued by the committee points to the fact that since the war the expenditures for athletic purposes at Yale and most other large universities have greatly increased. And yet, there are not many more students participating in games than before. The committee believes that the equipment, facilities and the money expended should be used more for large groups and less for the development of a small number of students engaged in university intercollegiate competition.

A number of proposals were made by the committee to make this change possible. They suggested that the varsity football team play only five games a season rather than eight or nine as it has in the past. This would eliminate the "set-up" games which every large college faces at the first of the season. It was agreed that there should be no pre-season practice in preparation for the early games. Camps for this purpose, which are organized several weeks before the opening of school, are very costly. The salaried coach would be replaced by an amateur coach to be chosen by the students. This person would most likely be a postgraduate who had shown ability in football while in college.

These proposed economies will result in a very great saving of athletic funds, and the money thus saved can be used to double the equipment now available to the student body at large. Group rivalry can then be developed among the different branches of the University. The college officials are making arrangements whereby the students will have more free time from class work in the afternoons in order to participate in games.

REPUBLICAN PLATFORM

(Concluded from page 1)

Great Lakes—St. Lawrence seaway. Continuation of federal aid in construction of state highways.

CRIME. Enactment of drastic penal laws to stamp out gangsters, racketeers and kidnappers.

NARCOTICS. Warfare against the illicit traffic of narcotics.

CIVIL SERVICE. Maintenance of system as it now is.

CONSERVATION. Continuation of policy of conserving major resources, principally oil.

THE NEGRO. Equal rights for Negro citizens.

POSSESSIONS. Continuance and furtherance of principle of self-government in Hawaii, Porto Rico and Alaska.

CHILD WELFARE. Continuation of policy of child health and protection by government.

AMERICAN INDIAN. Full property rights and adequate educational facilities.

GOVERNMENT REORGANIZATION. Legislation granting president authority to reorganize government in interest of efficiency and economy.

DEMOCRATIC PARTY. Unfit to govern.

PROHIBITION. (See page 2).